

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-03 INR-11 IO-14 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 HEW-08 CU-05 HUD-02 OIC-04 STR-08 DRC-01 SCI-06

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC 3319

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DEPT PASS CEA,TREAS, FRB

E.O. 11652: N/A

TAGS: ECON, OECD

SUBJECT: HIGHLIGHTS OF EPC'S WP-2 MEETING, JULY 9-10

REF: (A) USOECD A-74, (B) OECD DOCS CPE/WP2(74)1, 2
AND 3

1. SUMMARY: EPC'S WP-2 DISCUSSED INCOME MAINTENANCE AND EDUCATION PAPERS, AGREED THESE STUDIES BE COMPLETED IN 1975, AND TWO NEW ONES ON HOUSING AND HEALTH BE STARTED. WP ALSO APPROVED PROPOSED CLASSIFICATION SYSTEM OF PUBLIC EXPENDITURES - QUESTIONNAIRE TO BE CIRCULATED BY END JULY, WITH DEADLINE FOR REPLY MID-FEBRUARY 1975. IT AGREED ON WORK PROGRAM WITH AIM COMPLETE WORK ON PUBLIC EXPENDITURES BY MID-1976. PRELIMINARY WORK ON NEW SUPPLY PROJECTIONS WILL BE UNDERTAKEN BY CONSULTANT IN EARLY 1975. END SUMMARY.

2. WORKING PARTY TWO OF ECONOMIC POLICY COMMITTEE APPROVED PROPOSED CLASSIFICATION SYSTEM FOR PUBLIC UNCLASSIFIED

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EXPENDITURES PREPARED BY ITS AD HOC EXPERTS GROUP.

SECRETARIAT WILL ISSUE QUESTIONNAIRE BEFORE END JULY
AND REPLIES ARE REQUESTED BY FEBRUARY 15,
1975.

3. INCOME MAINTENANCE: GENERAL FEELING OF WP-2 MEMBERS WAS THAT THIS PAPER NEEDED MUCH MORE WORK, AND WIDE-RANGING, SOMETIMES WANDERING, DISCUSSION REFLECTED TO SOME EXTENT LACK OF FOCUS AND CLEAR DELINEATION OF ISSUES IN PAPER. DURING COURSE OF MEETING TWO SHARPLY DIFFERENT GOALS OF INCOME MAINTENANCE BECAME EVIDENT. SECRETARIAT (MARRIS) CHARACTERIZED ONE AS THE "ANGLO-SAXON" APPROACH, AID OF WHICH WAS TO REDUCE POVERTY. OTHER WAS THE "EUROPEAN" APPROACH, AIM OF WHICH WAS TO INSURE AND GIVE ASSISTANCE TO THE PUBLIC, RICH AND POOR ALIKE, AND TO GIVE ONLY SECONDARY CONSIDERATION TO INCOME REDISTRIBUTION. MOST DELS FELT WP SHOULD FOCUS ON MACRO-ECONOMIC ANALYSIS OF INCOME MAINTENANCE AND NOT GET DEEPLY INTO MICRO-ECONOMIC ASPECTS SUCH AS GOALS AND EFFECTIVENESS IN REACHING THEM. U.S. DEL (CHISWICK) URGED DATA BE COLLECTED BY HOUSEHOLD SURVEYS, PARTICULARLY ON WHAT CONSTITUTES SOURCE OF INCOME TO REDUCE POVERTY. HE CRITICIZED PAPER FOR USE OF OUT-OF-DATE AND INACCURATE DATA. GERMAN DEL SUGGESTED STUDY WOULD BE MORE USEFUL IF IT ALSO DESCRIBED NATIONAL INSTITUTIONAL STRUCTURES FOR INCOME MAINTENANCE. HE AND SEVERAL OTHERS STRESSED THAT REVENUE SIDE COULD NOT BE NEGLECTED AND ITS INTER-RELATION WITH EXPENDITURE SIDE SHOULD BE INCLUDED. NEW CHAIRMAN (SKANLAND) AGREED MACRO SIDE SHOULD BE GIVEN PRIORITY IN STUDY, BUT STUDY ALSO HAD RECOGNIZE POVERTY AND SOCIAL POLICY ASPECT IF IT WAS TO HAVE ANY MEANING. SECRETARIAT PROPOSED SEPTEMBER 30 DEADLINE FOR DATA UPDATING AND CORRECTING, AND SAID STUDY WOULD BE BROADENED TO INCLUDE AUSTRALIA, JAPAN, SPAIN, CANADA, FINLAND, BELGIUM, SWITZERLAND, AND PERHAPS OTHERS. FOR MORE DETAILED DISCUSSION OF INCOME MAINTENANCE PAPER SEE REF AIRGRAM, REPORTING CHAIRMAN'S AND SECRETARIAT'S JOINT SUMMARY.

4. EDUCATION PAPER: WP-2 HAD LIVELY DISCUSSION THIS
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SUBJECT, ALTHOUGH NUMBER DELS HAD NOT YET HAD TIME STUDY PAPER. US DEL (CHISWICK) NOTED PRIVATE EDUCATION PLAYED LEADING ROLE IN US EDUCATIONAL SYSTEM AND THERE WAS LITTLE FEDERAL GOVT INVOLVEMENT AT HIGHER LEVELS. PAPER NEEDS THEREFORE BE EXPANDED LOOK BEYOND GOVERNMENT SHARE, AND HE SUGGESTED PRIVATE DIRECT EXPENDITURE AND NON-GOVERNMENT EXPENDITURE BE STUDIED, INCLUDING STUDENT FEES AND UNIVERSITY ENDOWMENTS. OPPORTUNITY

COSTS OF EDUCATION ALSO OUGHT BE CONSIDERED. SECRETARIAT (MADDISON) RESPONDED TO WP COMMENTS NOTING THAT HE WOULD CARRY MACRO ANALYSIS FURTHER IF DATA WERE

AVAILABLE ON ENROLLMENT AND COSTS PER STUDENT; HE WOULD TRY STEER MIDDLE COURSE BETWEEN MACRO APPROACH AND CONSIDERATION WIDE SOCIO-ECONOMIC QUESTIONS; ROLE

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PRIVATE EDUCATION WOULD BE CONSIDERED, AND EARNINGS FOREGONE CONCEPT WOULD BE CRANKED INTO PAPER. RATES OF RETURN ON EDUCATION, STOCKS OF EDUCATED PEOPLE, AS WELL AS FLOWS, AND RELATION EDUCATION TO EMPLOYMENT WOULD ALSO BE LOOKED AT. SECRETARIAT (MARRIS) SAID IT WOULD BE WILLING SEND AN EXPERT TO MEMBER COUNTRY TO DISCUSS PAPER'S ANALYSIS AND PROJECTIONS WITH NATIONAL EDUCATION AUTHORITIES. COUNTRIES SHOULD RESPOND TO THIS SUGGESTION. MARRIS ALSO REQUESTED MEMBER COUNTRIES GIVE REACTION BY OCTOBER 15 ON ANALYSIS, CORRECTIONS, AND ON HOW MUCH FURTHER EDUCATION STUDY SHOULD GO, GIVEN

SECRETARIAT'S LIMITED RESOURCES, BEFORE FINAL POLISHING AND TRANSMISSION TO ECONOMIC POLICY COMMITTEE SOMETIME DURING 1975.

5. WORK PROGRAM: WP AGREED WITH SECRETARIAT'S TIME-TABLE TO TRY FINISH INCOME MAINTENANCE AND EDUCATION STUDIES IN 1975, TO START STUDIES ON HOUSING AND HEALTH, AND TO WRAP UP ALL SECTORAL STUDIES BY MID 1976. MARRIS NOTED SECRETARIAT WOULD BEGIN LOOK AT UNCLASSIFIED

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SUPPLY SIDE GROWTH PROCESS TOWARD END THIS YEAR, IN PARTICULAR ENERGY QUESTION. HE EXPECTED HIRE CONSULTANT TO BEGIN NEW EFFORT IN 1975 ON SUPPLY SIDE INCLUDING PROJECTIONS AND SURVEY OF WORK ELSEWHERE. CONSULTANT WOULD MAKE PRELIMINARY REPORT TO WP IN FALL 1975. WP MEMBERS WOULD HAVE TO SETTLE CONFLICT IN 1976 BETWEEN COMPLETION PUBLIC EXPENDITURES WORK AND SERIOUS START ON SUPPLY SIDE. US URGED RAPID COMPLETION ON PUBLIC EXPENDITURES AND NOTED SECTORAL STUDIES ON HOUSING AND HEALTH WERE OF MINIMAL INTEREST TO US BECAUSE THESE AREAS OF PUBLIC EXPENDITURE IN US WERE IN PROCESS OF SUBSTANTIAL CHANGE. US DEL (CHISWICK) SUGGESTED MORE USEFUL STUDY WOULD BE EXPENDITURES ON PUBLIC SAFETY, BUT THERE WAS NO ACCEPTANCE THIS IDEA FROM ANYONE AROUND TABLE.

6. OTHER MATTERS: MISSION WILL REPORT CHAIRMAN'S SUMMARY OF THIS MEETING WHEN RECEIVED. NEXT MEETING WP-2 IS TENTATIVELY SCHEDULED FOR DECEMBER 16-17, 1974. BROWN

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